

Al Majal Updates



Al Majal is Happy to Have Participated in the Opening of the New Premises for the Basra's Children Orchestra

Basra's Children Orchestra celebrated the opening of their new premises under the patronage of Al Majal and the Turkish Consul. Al Majal has previously signed an agreement to sponsor the new premises, providing participating children with a safe haven and a positive experience to heal and thrive through music.

The Basra's Children Orchestra is an integrated project that aims at teaching children the art of playing various musical instruments. It is not limited by a specific time in terms of its start and end, but rather remains in place until children who graduate can play music in an excellent way for the purpose of establishing a symphony group for children in Basra.

It's our aim at Al Majal to keep finding consistent and sustainable ways to support national culture and be of service to our community.

Al Majal's Oil & Gas Roundup in Collaboration with Qamar Energy

Latest in the Iraqi & Global Energy Markets

Economic Outlook	Political Outlook
<ul style="list-style-type: none">• Iraq expects to earn oil revenues of US\$ 47.5 B¹ based on an oil price of US\$ 45/b and ~3.5 Mb/d of exports, which in devalued dinars should significantly improve state earnings. With oil prices averaging US\$ 68.38/bbl in 2021, generating revenues of US\$ 75.65 B, the actual deficit would come well under the reported figure of US\$ 19.5 B. Final spending figures are not in, but Iraq is estimated actually to have run a fiscal surplus of 1.4% of GDP in 2021 (IQD 3.6 trillion).• The EIA now forecasts Brent to average US\$ 105/bbl in 2022, up US\$ 22.35/bbl from its February STEO. Iraq's maximum production is likely to reach 4.8 Mb/d by December 2022, while exports might increase to 3.4-3.5 Mb/d by then. This places monthly average revenues for 2022 at US\$ 10.7 B with exports averaging 3.4 Mb/d in 2022, higher than the average 2012 crude revenues of US\$ 7.78 B with exports averaging 2.395 Mb/d. State-operated fields including Majnoon and others would contribute about 260 kb/d of this increase, with possibly another 50 kb/d from West Qurna-2 after it	<ul style="list-style-type: none">• The Russian invasion of Ukraine has several important implications for Iraq, discussed in more detail below.<ul style="list-style-type: none">○ High oil prices, substantially raising Iraq's government revenue and possibly accelerating the lifting of OPEC+ limits○ Possible problems for Russian companies active in the Iraqi oil sector in accessing finance (Lukoil, Rosneft, Gazprom Neft)○ Higher food prices○ Reduced US attention on the Middle East, except for encouragement for higher oil production○ Longer-term interest for Europe to seek alternative gas supplies from its neighbourhood○ Attempts to revive the JCPOA with Iran• Efforts to resurrect the Iraq National Oil Company (INOC) by Oil Minister Ihsan Ismaeel are facing increasing political opposition, raising concerns over the survival of the company in its current form following the upcoming transition to a new government. This is especially seen in the latest

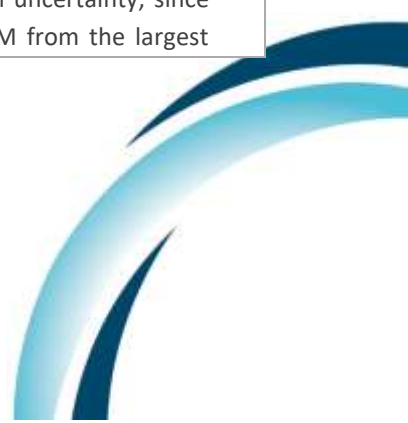
¹ While not yet disclosed by the Iraqi Parliament, the revenues earned seemed to be calculated by excluding the first two months of 2021, for the remainder of the year

returns from a shutdown in mid-March, and another 100 kb/d from Rumaila. After September, Iraq would be able to produce at capacity (if there is no new OPEC+ target), but it is likely the country would already be around its maximum output. Some increased production volumes are likely to be absorbed domestically as refining output capacity will increase by over 280 kb/d end-2022. Federal exports in this case would average 3.4 Mb/d for the year, a little below the 2021 budget target (3.5 Mb/d), but oil prices will likely average at least double the 2021 budget figure.

- This has caused Fitch Ratings to keep the Outlook on Iraq's Long-Term Foreign-Currency Issuer Default Rating (IDR) unchanged at Stable from Negative and affirmed the IDR at 'B-'. Moody's rates Iraq at Caa1 with stable outlook. Government debt fell from 86% of GDP in 2020 to 66% of GDP in 2021 due to the GDP recovery, although the debt stock in local currency rose slightly (from IQD 169 trillion to IQD 175 trillion). In 2022-2023, government debt is expected to stabilise at about 57% of GDP.
- Several of the major concerns facing Iraq's economy have receded: the Omicron wave has diminished and been less serious than previous waves; formation of the new government is likely approaching its close; oil prices are strong and Iraqi production is rising. High inflation, particularly on food prices, is a growing concern and could lead to worsening social stability. Iraq's cereal imports are forecast to reach \$3 billion in 2021-22 from \$0.9 billion in 2020-21. Food subsidies are a heavy and growing drain on the budget.

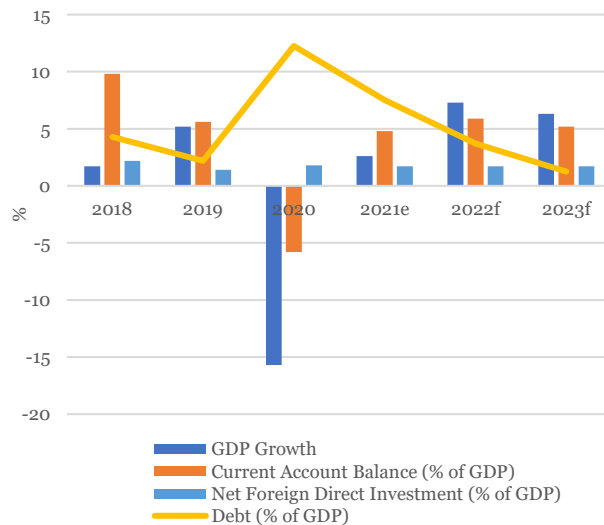
political attack in February 28 as the newly seated Parliament voted to remove Ismaeel from his position as INOC president, citing that his appointment was unconstitutional as he did not have 25 years of public service – required in an amended INOC Law that has yet to be passed. The government does not see the vote as legally-binding, but it signifies general scepticism in the Al-Kadhimi administration's way of forming INOC.

- Baghdad and Erbil have acknowledged the need for renewed dialogue following the Supreme Court's ruling which removed the legal foundations of the Kurdistan Regional government (KRG)'s oil sector. However, both sides are envisioning different negotiations, with Baghdad seeking the KRG's cooperation in implementing the court's ruling, while Kurdish leaders are readying for political negotiations aimed to preserve Kurdistan's oil sector independence. Ismaeel created a committee of senior industry officials headed by Deputy Oil Minister Hamid Younis Salih to implement the ruling, with the KRG expected to form its own committee for a discussion over how to comply with the ruling. So far, KRG did not send any delegation.
- Implementing the decision would require revising or invalidating contracts with IOCs, granting Federal Iraq control over oil exports via Turkey and redirecting oil revenues to Baghdad.
- The KRG seems to refrain from engaging with the caretaker administration of PM al-Kadhimi on a technical level, waiting on the new government to engage in political negotiations. In fact, KRG PM Barzani went beyond ignoring the Federal Supreme Court's decision to challenge its fundamental authority and rule out any constitutional questions.
- On March 5, the Iraqi Parliament reopened registration for candidates to run for president, a contest already behind schedule following last October's general elections. The contest was held up mainly due to legal and political uncertainty, since the president has to name a PM from the largest

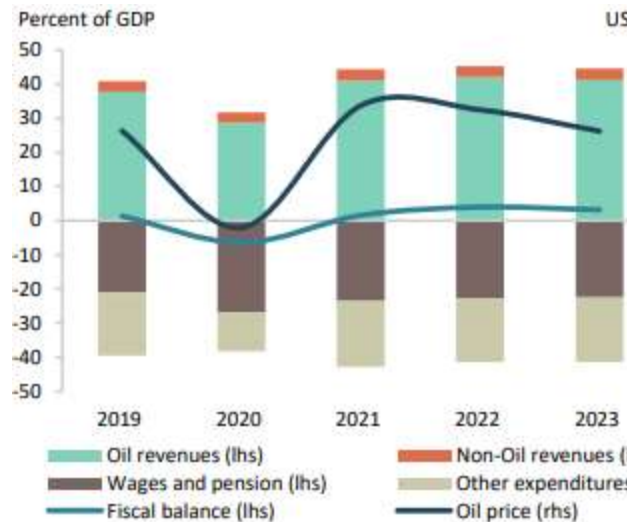


bloc in parliament. Hoshyar Zebari's bid was ruled out by Iraq's supreme court in February 13 after a complaint filed against him over years-old corruption charges.

Macroeconomic Indicators' Outlook



Budgeted Revenue & Spending, 2019-23²



The latest developments in the Iraqi energy markets are summarised in the table below.

IRAQ KEY EVENTS SCORECARD, MARCH 2022

Oil	Oil Production	●	↑	Iraq's nationwide production increased to 4.521 Mb/d in February from 4.32 Mb/d in January, according to Iraq Oil Report. Output increased mainly from state-owned oilfields, despite brief shutdowns at the West Qurna-2 (WQ2) and Nassiriya oilfields, having a combined output of 480 kb/d. Production at WQ2 fell to 299 kb/d in February from 419 kb/d in January, but Iraq ramped up production at other fields – including Majnoon, Luhais, Tuba and Bin Omar – to compensate for the shortfall. Shutdown at WQ2 was due to maintenance work which will boost the field's capacity by 50 kb/d. Meanwhile, a week-long outage took place at the 100 kb/d Nassiriya due to worker safety concerns. Federal

² World Bank

			production averaged 4.073 Mb/d in February, up 187 kb/d from January, while the KRG produced 448 kb/d, up 9 kb/d from January.
Oil Exports	●	↑	<p>Iraq's nationwide oil exports rose to 3.719 Mb/d in February, up from 3.619 Mb/d in January. Federal exports increased to 3.314 Mb/d in February, from 3.203 Mb/d in January, when bad weather caused loading delays. Meanwhile, KRG exports fell to 405 kb/d, up from 416 kb/d the previous two months. Exports from Basra terminals made up most of the increase, while exports from Ceyhan shrank to 53 kb/d, about half of normal. Federal revenues increased further to US\$ 8.544 B with an Iraqi oil price of US\$ 92.083/bbl, up from January's US\$ 8.323 B. February revenues were the highest since April 2012, when the country pocketed US\$ 8.795 B from exports of 2.508 Mb/d, with Brent reaching US\$ 112/bbl. The KRG, on the other hand, earned US\$ 959 M, down from US\$ 965 M in January, with the KRG's average sale price about US\$ 10/bbl higher in February.</p> <p>Demand for Iraqi crude has skyrocketed as buyers are seeking alternatives to Russian crude. According to SOMO, some of the extra demand came from European, Chinese and Indian customers, with a senior Iraqi official mentioning that Iraq's limited crude export capacity would make it difficult to honour the requests.</p> <p>Iraq's lingering export bottlenecks led the IEA to revise down its estimate for Iraq's sustainable production capacity, slashing 140 kb/d off its previous estimate of 4.96 Mb/d. Stormy weather in the last week of January temporarily halted oil loadings at the 1.6 Mb/d Basra Oil Terminal (BOT) as well as from four SPMs offshore Basra with a nominal capacity totalling 3.6 Mb/d. The pause caused storage capacity to fill up and forced production curbs upstream.</p>
Gazprom Neft Badra Field Terms	●	↑	<p>Iraq's Oil Minister said that Baghdad intends to improve Russia's Gazprom Neft's contract at the 80 kb/d Badra field. The minister said that Iraq is "very keen on signing this deal with Gazprom Neft, which is an important company for Iraq." However, as the minister is on the way out of Iraq's energy sector, there are doubts over whether such amendments will be made, with discussions over contractual terms stemming back to 2018. The field was awarded as part of the country's second licensing round in 2009, while production at the field started in 2014. It has a central integrated oil & gas processing facility with a capacity of 110 kb/d and 155 Mcf/d, with gas</p>



				transported through a 100 km pipeline to the 500 MW Zubaidiya gas power plant.
Gas	Progress on Halfaya Gas Processing Facility	●	↑	The US\$ 1.07 B planned gas processing plant at Halfaya field has reached 51% completion and is expected to come online mid-2023. In July 2019, CPECC won the engineering, procurement, construction, commission, operations and maintenance (EPCCOM) contract for the facilities to process natural gas extracted alongside crude at the Halfaya oilfield. CPECC expects to process 300 Mscf/d of natural gas at the facility, which was originally scheduled for completion in 30 months. The delay was caused by the reduction of the number of staff from 240 in February 2020 to just 70 workers around November due to Covid issues. Petrochina, the operator of the Halfaya field, signed with the state-owned Maysan Oil Company to produce 450 kb/d, but output hasn't reached the contractual plateau yet, with production standing at 170 kb/d by July 2020. By November 2021, it was reported that the field recovered 15.41% of its recoverable reserves, with peak production likely to reach 392 kb/d by 2023.
	Iraq's Fifth Licensing Round	●	↑	Iraq's oil ministry announced a "court's decision to close the fifth licensing round investigation." The licensing round of 2018 was focused mostly on non-associated gas exploration and development, with the Sharjah's Crescent Petroleum (Gilabat-Qumar, Khashm Al Ahmar-Injana), China's Geo-Jade (Naft Khana, Huwaiza) and Hong Kong-listed United Energy Group (Sindbad) winning the awarded blocks. "Closing the case" implies that the Iraqi government won't face obstacles to sign the contracts. Although, the decision will be left to the next cabinet. Implementing the bid round would be highly welcomed in Iraq given its gas and electricity shortages. More than 50% of associated gas in Iraq is flared, which makes up around 1.4 Bcf/d.
Refinery	New Refinery in Kirkuk	●	↑	Iraq's oil ministry plans to build a new refinery in Kirkuk with a total capacity of 75 kb/d, stated by the North Refineries Company. The country aims to increase its refining capacity to around 1.5 Mb/d from a current 875 kb/d. Iraq's increased production volumes are likely to be absorbed domestically as refinery expansion projects are underway. Though Iraq is pushing ahead with refinery upgrades and new projects, we expect delays in delivering them. The Karbala refinery along with the Salahaddin 1 refinery at the Baji complex will likely boost the country's refining output capacity by 280 kb/d by end-2022.



Power	Turkey-Iraq Electricity Exports	●	↑	Iraq will import 500 MW of Turkish electricity following the recent completion of the technical interconnection, which was planned since 2019. The electricity exports from Turkey will help Iraq avoid its crippling summer blackouts which were exacerbated in 2021 as Iranian supply declined substantially. Iraq faces a massive 9 GW gap between peak supply and demand as summer temperatures hit 50°C, resulting in civil unrest. The interconnection includes an existing 132KV line from Silopi in Turkey to Zakho in Iraqi Kurdistan, which was last employed in 2011 at an average 5 MW, and a 400KV line from Turkey's Cizre to the Mosul dam.
	Baghdad-Tehran New Power Tariff Agreement	●	↑	Iraq's cabinet approved new terms for electricity imports from Iran's state power company Tavanir. The two countries agreed to lower the price of electricity supplies, as well as "commit the Iranian side" to "provide a minimum total of 1 GW on all interconnection lines during peak months." The two countries' grid are synchronised and linked through four cross-border transmission lines, with a maximum capacity of 1.2 GW. The latter are unreliable, though, given Baghdad's inability to pay outstanding debts for past power imports from Tehran along with Iran's own rising power demand.
Renewable Energy	Iraq & Masdar Solar Agreement	●	↑	Progress on this 1 GW set of projects continues to await decision from a new government.
	33% clean Energy by 2030 Target	●	↑	Iraq has made some progress on its clean energy target in discussions with TotalEnergies, Masdar and PowerChina to develop large solar projects. However, these will not make major progress until a new government is in place for approvals. The government wants to take a 40% share in the integrated project with TotalEnergies, which includes a \$1 billion, 1000 MW solar plant, but Total is resisting this over concerns the Iraqi state partner would not be able to finance its share.

● Very positive ● Positive ● Neutral ● Negative ● Very negative
 ↑ Improvement in last month ↔ No change ↓ Deterioration in last month

OPEC forecasts 2022 world oil demand to increase by 4.2 Mb/d, reflecting the upward revision in GDP growth from the previous month (5.6% from 5.5%). Rising economic recovery is projected to take place mainly in non-oil-intensive sectors, while accelerated vaccination campaigns shall boost transportation fuels' outlook, particularly in the US. In 2022, the forecast for world oil demand also remains unchanged at 4.2 Mb/d with

total global consumption at 100.8 Mb/d. Oil demand is projected to increase in OECD and non-OECD countries by 1.8 Mb/d and 2.3 Mb/d, respectively, with the impact of the Omicron variant to be mild and short-lived. Though, volatile energy markets following Russia's invasion of Ukraine and the re-imposition of lockdowns in China will likely hit demand as the year progresses.

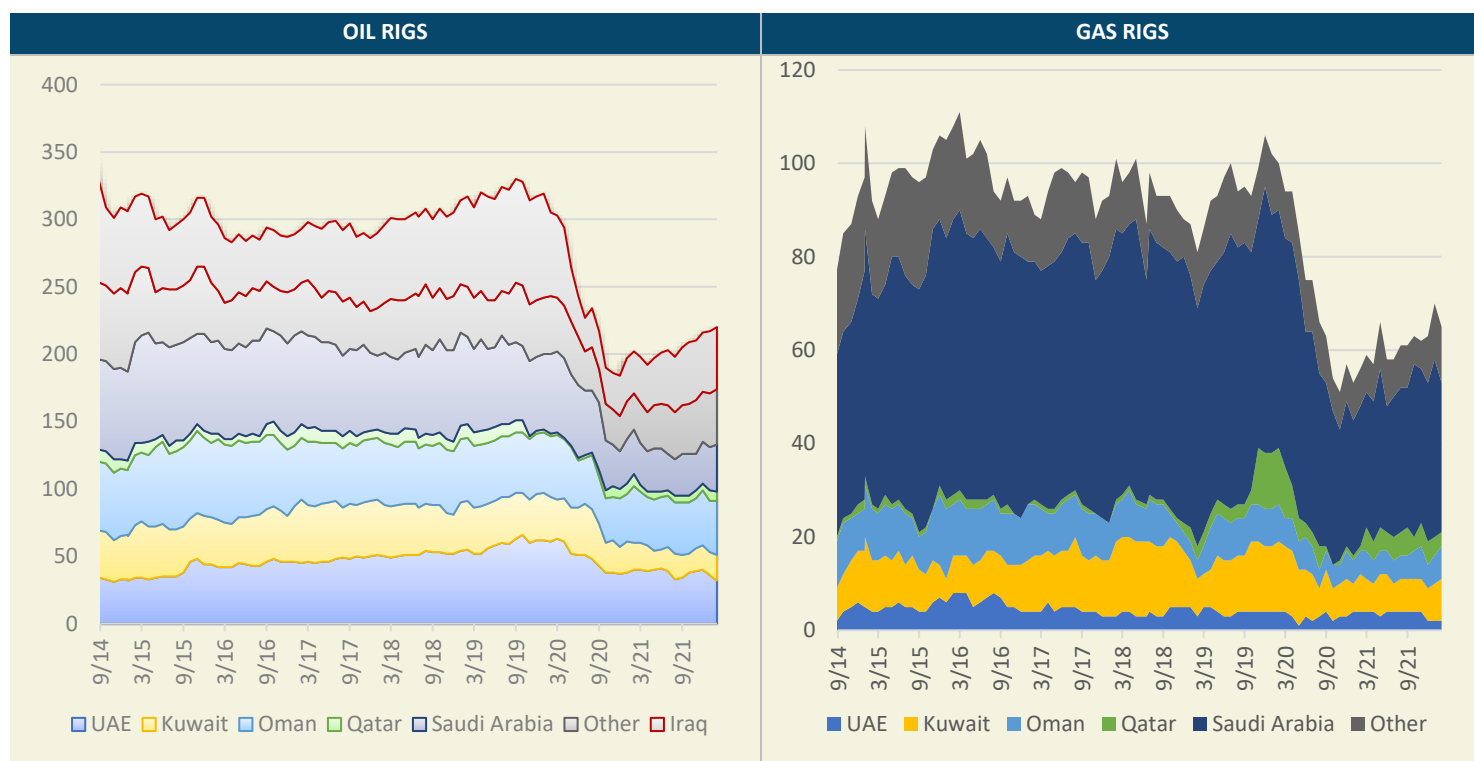
Overall Middle East demand decreased by around 44 kb/d in January over December levels, though February figures are expected to be higher, despite a sharp increase in CoVid-19 cases following the rise of the new Omicron variant. Middle East fuel demand is expected to increase in 2022 as more CoVid-19 restrictions have been lifted, with jet fuel demand likely to recover by 23%, particularly in the UAE, as Dubai International Airport's passenger numbers are forecast to rise 90% this year. In 2021, Saudi Arabia's international and domestic jet fuel consumption averaged 70.3 kboe/d, still well below 2019's levels of 131.2 kboe/d. PMIs have stabilised, even though economic activity has not yet reached pre-CoVid-19 levels. This has informed some noteworthy deals in the energy sector in recent weeks, summarised in the following table.

TOP ENERGY DEALS IN THE REGION

PROJECT	SUMMARY	CLIENT / BUYER	CONTRACTOR / SELLER	IMPLICATIONS
Saudi Arabia and Kuwait Neutral Zone – Dorra gas field	Kuwait and Saudi Arabia finalized an agreement to develop the offshore Dorra gas field in the Neutral Zone.	Saudi Arabia & Kuwait	Al-Khafji Joint Operations	The Dorra gas field, shared between the two Mideast Gulf countries, will become the third producing asset in the NZ, following the 300 kb/d offshore Khafji field and the near-250 kb/d onshore Wafra field. Kuwaiti and Saudi oil Ministers envisage production from the 35 Tcf shared field to reach 1 Bcf/d of natural gas and up to 84 kb/d of condensate. Al-Khafji Joint Operations (KJO), a JV between the state-owned entities Kuwait Gulf Oil (KGOC) and Aramco Gulf Operations, will carry out development. KJO will also operate the field and will be responsible to find a consultant to conduct the engineering studies required for the development plan. The gas and condensate produced will be split 50:50 between the two countries. The gas development would help the two countries meet their rising gas demand. However, Dorra has long been a point of contention

				between Kuwait and Iran, which also lays claim to part (about 5%) of the field, which it calls Arash.
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REGIONAL RIG COUNT³: OPEC+ PRESSURE HAS KEPT IRAQ RIG COUNT LOW



- Middle East oil drilling has still not fully recovered from the sharp drop induced by the pandemic and the related OPEC+ production cuts. However, it is likely to start expanding as quotas increase and production growth plans in the UAE and Iraq get underway. Iraq added a further three rigs in October for cumulative gains of 16 since beginning-2021. All rigs are onshore targeting oil. This rebound comes as INOC and its subsidiaries signed a series of deals with international service companies.
- Gas drilling is starting to show a moderate recovery, supported by the beginning of Qatar's LNG expansion projects and renewed efforts by Saudi Arabia towards its 2030 gas ambitions.

Note: Iraqi gas rigs are not reported by Baker Hughes, likely because Iraq reports gas rig figures clubbed with oil rigs and/or lack of response from contractors (drilling for non-associated gas is at minimal levels compared to oil, although it should pick up as Sinopec's development of Mansuriyah and the Pearl Petroleum consortium's expansion of Khor Mor move forward).

³ Baker Hughes International Rig Count

Iraq Oil Market Highlights

Crude Oil Prices

Closing prices, April 1st 2022

Brent: USD 103.87

WTI: USD 99.31

Iraq Rig Count

As at month end

Feb 2022: 46

Jan 2022: 46



Iraq Oil Exports

For the month of

Feb 2022: 3.719 Mbpd

Jan 2022: 3.203 Mbpd



Oil Exports Revenue

For the month of

Feb 2022: 8.795 USD bln

Jan 2022: 8.230 USD bln



Get in Touch

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